

FISCAL IMPACT STATEMENT ON BILL NO. **S1124**

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TO:	The Honorable Hugh Leatherman, Chairman, Senate Finance Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Allan Kincaid		
DATE:	March 27, 2008	SBD:	2008128

AUTHOR:	Senator Leatherman	PRIMARY CODE CITE:	9-9-61
SUBJECT:	Retirement Systems - COLA's		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:
See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:
See Below

BILL SUMMARY:

Sections 1 and 3 of the Bill would add provisions to also award an annual cost-of-living increase up to two percent in benefits payable by the Retirement System to retired members of the General Assembly (GARS). Sections 2 and 4 would amend sections of the code related to the annual award of cost-of-living increases in benefits payable to retired members of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) so as to provide an annual cost-of-living adjustment up to two percent. The Bill would further provide for additional annual ad hoc increases beyond the two percent in the retirement allowances if certain conditions are met.

EXPLANATION OF IMPACT:

General Assembly Retirement System (GARS)

A review of the GARS by the Retirement System and its actuary based on the July 1, 2007 actuarial valuation indicates that to provide an annual 2% COLA, assuming an 8% actuarial return on investments, and to maintain a 30 year amortization period would require an additional annual employer contribution of \$313,708 beginning with the Fiscal Year 2009-2010.

Section 9-9-61 (B)(2)(b) provides that a retirement allowance may be further increased beyond 2% annually if certain conditions are met. However, one of the conditions for an increase beyond 2% under Section 9-9-61 (B)(2)(b)(iv) is that "no increased employer contribution is required to support the increase pursuant to this subitem".

South Carolina Retirement System (SCRS)

A review of the SCRS by the Retirement System and its actuary based on the July 1, 2007 actuarial valuation indicates the results of increasing the COLA in SCRS from 1% to 2%, assuming an 8% actuarial return on investments, would increase the unfunded accrued liability from \$10.225 billion to \$10.299 billion and reduce the amortization period from 28.9 years to 28.5 years.

Section 9-1-1810(B)(2)(b) provides that a retirement allowance may be further increased beyond 2% if certain conditions are met. However, one of the conditions for an increase beyond 2% under Section 9-1-1810 (B)(2)(b)(iv), is that "no increased employer contribution is required to support the increase pursuant to this subitem".

Police Officers Retirement System (PORS)

A review of the PORS by the Retirement System and its actuary based on the July 1, 2007 actuarial valuation indicates that to provide an annual 2% annual COLA in PORS assuming an 8% actuarial return on investments, and to maintain a 30 year amortization period would require an additional .44% increase in the employer contribution rate beginning July 1, 2009. Based on an estimated total payroll of state agencies of \$378 million under PORS would result in an additional cost of \$1.663 million. Of this amount, approximately \$1.381 million represents a cost to the General Fund of the State.

Section 9-11-310(B)(2)(b) provides that a retirement allowance may be further increased beyond 2% if certain conditions are met. However, one of the conditions for an increase beyond 2% under Section 9-11-310 (B)(2)(b)(iv) is that “no increased employer contribution is required to support the increase pursuant to this subitem”.

LOCAL GOVERNMENT IMPACT:

Based on a local governments’ estimated total payroll of \$623 million under PORS, this would result in an additional cost of \$2.7 million.

SPECIAL NOTES:

None.

Approved by:

A handwritten signature in black ink that reads "Harry Bell". The signature is written in a cursive style with a large, stylized 'H' and 'B'.

Harry Bell
Assistant Director, Office of State Budget